

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Review Petition No. 23/2011 In Petition No. 58/2011

Coram:

**Dr. Pramod Deo, Chairman
Shri S. Jayaraman, Member**

**Date of Hearing: 17.01.2012
Date of Order: 11.12.2012**

In the matter of:

Review of order of Commission dated 27.9.2011 in Petition No. 58/2011 in the matter of approval of transmission tariff in respect of transmission system associated with Simhadri-II generation project in Southern Region

And In the matter of:

Power Grid Corporation of India Ltd., Gurgaon

..... **Review Petitioner**

Vs

1. Karnataka Power Transmission Corporation Ltd., Bangalore
 2. Transmission Corporation of Andhra Pradesh Ltd., Hyderabad
 3. Kerala State Electricity Board, Thiruvananthapuram
 4. Tamilnadu State Electricity Board, Chennai
 5. Electricity Department, Government of Goa, Goa
 6. Electricity Department, Government of Pondicherry, Pondicherry
 7. Eastern Power Distribution Company of Andhra Pradesh Ltd., Vishakhapatnam
 8. Southern Power Distribution Company of Andhra Pradesh Ltd., Tirupati
 9. Central Power Distribution Company of Andhra Pradesh Ltd., Hyderabad
 10. Northern Power Distribution Company of Andhra Pradesh Ltd., Warangal
 11. Bangalore Electricity Supply Company Ltd., Bangalore
 12. Gulbarga Electricity Supply Company Ltd., Karnataka
 13. Hubli Electricity Supply Company Ltd., Hubli
 14. MESCOM Corporation Office, Mangalore
 15. Chamundeshwari Electricity Supply Corporation Ltd., Mysore
-Respondents**

Parties present:

1. Shri M.G.Ramachandran, Advocate for PGCIL
2. Ms. Swapana Seshadri, Advocate for PGCIL
3. Shri U.K. Tyagi, PGCIL
4. Shri Mahendra Singh, PGCIL
5. Shri Rakesh Prasad, PGCIL
6. Shri S.S. Raju, PGCIL
7. Shri Rajeev Gupta, PGCIL
8. Shri S. Vallinayagam, Advocate for TANGEDCO
9. Shri S. Balaguru, TANGEDCO

ORDER

The Power Grid Corporation of India Limited (PGCIL) has filed Petition No. 58/2011 for approval of transmission tariff of LILO of Vemagiri-Gajuwaka 400 kV D/C line at Simhadri-II TPS under Transmission System associated with Simhadri-II generation project in the Southern Region for the period from 1.8.2011 to 31.3.2014, in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 ('the 2009 Tariff Regulations'). The Commission by its order dated 27.9.2011 has determined the annual fixed charges of the transmission line.

2. Aggrieved by the said order, the petitioner has filed the present review petition seeking review of the order dated 27.9.2011 on the following issues:-

- (a) Disallowance of the additional return on equity in accordance with the proviso to Regulation 15(1) of the 2009 Tariff Regulations;
- (b) Operation and Maintenance Expenses applicable to the Multi-circuit Line;
- (c) Relaxation of the ceiling limit as prescribed in Regulation 8 of the 2009 Tariff Regulations for allowing the cost of initial spares.

3. The review petition was admitted on the above issues and notices were issued to the respondents. Reply to the application has been filed by TANGEDCO (Respondent no. 4) and the Review Petitioner has filed its rejoinder to the said reply.

4. We have heard the representative of the petitioner and the learned counsel for TANGEDCO. Having heard the parties and examined the documents on record, we proceed to dispose the petition.

5. The Review Petitioner has submitted that in terms of Regulations 15 of the 2009 Tariff Regulations, the time limit for completion of the transmission line is 28 months from the date of investment approval. In the present case, investment approval was accorded on 14.1.2010 and accordingly the time schedule for completion of the transmission line is 13.5.2012. As against the same, the review petition has completed the line by 1.8.2011, i.e. within 17 months from the date of investment approval. However, the Commission has recorded in the impugned order that there is a delay of 3 months in commissioning of the line. The petitioner has submitted that the Commission has considered the time limit with reference to the anticipated date of commissioning of the transmission line and not as per the scheduled III to the 2009 Tariff Regulations. The petitioner has submitted that the transmission asset is eligible for additional RoE as per Regulation 15 of the 2009 Tariff Regulations and may be allowed by reviewing the decision in the impugned order. TANGEDCO in its reply vide affidavit dated 13.1.2012 has submitted that the petitioner in its review petition is pleading contrary to its pleadings in Petition No. 58/2011. The petitioner itself on analyzing the length of line of 6.15 km (1.65 km D/C plus 4.5 km of M/C) approved the commissioning schedule of the project to be within 18 months from the date of Investment Approval. TANGEDCO has further submitted that the Review

Petitioner was aware of the provisions of the Appendix-II of the Tariff Regulations and Statement of Reasons at the time of filing the tariff petition. The Review Petitioner on its own volition did not plead that the project completion time should be as per the Appendix-II of the 2009 Tariff Regulations. A claim which has been knowingly not made in the tariff petition cannot be said to be refused by this Commission and it does not amount to error apparent on the face of the record. Review Petitioner in its rejoinder dated 16.3.2012 has reiterated its submissions on additional return on equity, and submitted that since the Commission has clearly specified timelines for different lines in the Appendix-II of the 2009 Tariff Regulations, the contention of respondent to consider the timeline (18 months) from Investment Approval needs to be rejected.

6. We have considered the submission of the Review Petitioner and the respondent. As per the "Scope of the project", the subject asset is a Line In Line Out (LILO) of both circuits of 400 kV D/C Gazuwaka – Vemagiri transmission line at Simhadri-II TPS of length 6.15 km only. No timeline has been specified for a LILO in Appendix-II in the 2009 Tariff Regulations. Since, the Board of Directors of PGCIL in the Investment approval had fixed a time line of 18 months for execution of 400 kV D/C, twin conductor transmission line, the same time line has been considered for the purpose of allowing additional return on equity. As per the investment approval, LILO was to be commissioned within 18 months i.e. by 14.7.2011, but was actually commissioned on 1.8.2011. Accordingly, additional return on equity has been disallowed in the impugned order. The Review Petitioner cannot assume the time limit specified in Appendix-II of the Tariff Regulations for a transmission line for the purpose of claiming the additional RoE for a LILO, which is comparatively a smaller line and requires a much shorter time frame for execution. Since, the LILO was executed after the period of 18 months prescribed in

the investment approval, the Commission has denied additional RoE for said asset. In our view, there is no error in the order and the review on this ground is rejected.

OPERATION AND MAINTENANCE EXPENSES

7. The Review Petitioner has submitted that the Commission in its order dated 27.9.2011 has allowed the O&M expenses for multi-circuit line of 1 km length @ 1.5 times of the D/C line, as against the claim of the petitioner for two times of the O&M expenses for D/C line.

8. The Review Petitioner has submitted that transmission line consists of two parts namely D/C portion (Twin) of 1.65 km. and a multi-circuit portion(Twin) of 4.5 km. The multi-circuit portion of the line consists of two D/C lines. Since 2009 Tariff Regulations do not specify any norms for O&M expenses for multi-circuit lines, the Review Petitioner has the option either to claim the O&M expenses for the transmission line for four single circuits on multi-circuit tower or for two double circuits on multi-circuit towers. However, the Review Petitioner in order to optimize the O&M expenses in tariff had prayed for treating the two double circuit (twin) line of 4.5 km. each to be considered for calculating the O&M expenses applicable for four circuits of multi-circuit tower. The Review Petitioner has submitted that the Commission in the impugned order has allowed O&M expenses considering multi-circuit portion as 1.5 times of S/C line instead of two D/C line on multi-circuit tower. The Review Petitioner has submitted that since the number of sub- conductors of transmission line under the project is having twin i.e. more than one sub- conductor, consideration as 1.5 times, which is not in line with 2009 Tariff Regulations. The Review Petitioner has further reiterated the reasons given in the main petition to consider the O&M expenses for multi-circuit portion as twice that of D/C line. The Review Petitioner has prayed that keeping in view the peculiarities of multi-circuit

line, the O&M expenses be allowed for both the D/C line in the multi-circuit line as the fair estimate of O&M expenses. The Review Petitioner has submitted that since these aspects have not been considered in the impugned order, they amount to error apparent on the face of record requiring review of the impugned order by the Commission.

9. TANGEDCO in its reply has submitted that the provisions of 2009 Tariff Regulations are explicitly clear and the Review Petitioner cannot claim any relaxation in regulation to the detriment of the beneficiaries. It has been further submitted that the Review Petitioner can seek relaxation in the implementation of the regulation and it cannot seek to bring in something, which is not in the Regulations itself. Accordingly, the TANGEDCO has prayed to reject the claim of the Review Petitioner

10. We have considered the submissions of the petitioner and respondent. Regulation 19 (g) of the 2009 Tariff Regulations provides for norms of O&M expenses for single circuit and double circuit transmission lines. There is no provision in the regulation for O&M Expenses for multi-circuit lines. However, the "Statement of Reasons" to the 2009 Tariff Regulations provides as under:-

"In case of transmission lines, S/C twin conductor ckt-kms have been used as base and ckt-kms of all other circuit & conductor configurations have been converted to equivalent ckt-kms of S/C twin conductor ckt-km. No differentiation has been made between triple & twin conductor for same circuit configuration, since the population of triple-conductor is comparatively small. Weightage factor for conversion have been used on our estimate of ratio of O&M expenditure for a particular conductor & circuit configuration vis-a vis S/C twin conductor. The Weightage factors for a bundled conductor with four or more conductors is taken as 1.5 and that for single conductor it is taken as 0.5. Additionally, ratio between O&M expenditure of 1 km of D/C line is estimated to be 1.5 times that of 1 km of S/C line for single conductor and 1.75 time of 1 km of S/C for bundled conductor."

11. As per the Statement of Reasons, as quoted above, the O&M expenses for 1 km. of D/C line with single conductor is 1.5 times of the 1 km. of S/C line for single conductor and O&M expenses for 1 km. of D/C line with bundled conductor is 1.75 times of 1 km. of

SC line with bundled conductor. In case of transmission system under consideration, it has a line length of 1.65 km. of D/C line and 4.5 km. of D/C line on multi-circuit towers. Since 4.5 km. of D/C line on multi-circuit tower is having bundled conductor, its O&M expenses needs to be calculated @ 1.75 times of 1 km. of S/C line for bundled conductor. Though guidelines for D/C lines with bundled conductor was available in the Statement of Reasons, this was inadvertently overlooked and the O&M expenses was allowed on the basis of the norms for D/C line with single conductor. This is an error apparent on the face of the record and needs to be rectified in review. Accordingly, we direct that para 34 of the impugned order shall be modified as under:-

"As per the Statement of Reasons to the 2009 Tariff Regulations, the O&M expenses for D/C line with bundled conductor for 1 km length are 1.75 times of the S/C line with bundled conductor. Accordingly, O&M expenses @ 1.75 times of the S/C line with bundled conductor are allowed for two D/C line on multi-circuit tower."

RELAXATION OF THE CEILING LIMIT FOR ALLOWING THE COST OF INITIAL SPARES

12. The Review Petitioner has submitted that the assets covered under the petition are very small as they consist of a transmission line having route length of only 6.15 km, with major portion of the line (4.5 km) being on multi-circuit towers. Due to the presence of multiple circuits, the concentration of equipment / material is very high in comparison to the usual configuration of S/C or D/C towers of much larger dimensions and project size. The petitioner has submitted that because of the peculiarity of the multi-circuit lines, relaxation of the norms for initial spares in the 2009 Tariff Regulations for allowing higher initial spares was sought. The Commission did not consider the request of the petitioner in Petition No. 58/2011. The Review Petitioner has again prayed to allow

enhanced spares for multi-circuit towers by relaxing the norms in exercise of powers under Regulation 44 of the 2009 Tariff Regulations.

13. TANGEDCO has submitted that if there was no Right of Way problem, the line would have been constructed as 2 nos. D/C lines, in which case the initial spares would be capitalized as per norms. The multi-circuit (M/C) line is of 4.5 km length and the total distance is 6.15 km, which is very much smaller than normal 400 kV lines. The asset covered in the petition is multi-circuit line and D/C line for a shorter distance and spares required are like any other transmission line. TANGEDCO has submitted that review on this ground be disallowed.

14. We have considered the submission of the Review Petitioner and respondent. The spares have been allowed as per the ceiling norms specified in the 2009 Tariff Regulations. The 2009 Tariff Regulations provide for ceiling norms for transmission line only, irrespective of whether it is A/C, D/C, HVDC or multi-circuit towers. Moreover, spares are granted as a percentage of original project cost. Since the project cost of multi-circuit towers are comparatively higher than the single circuit or double circuit transmission line, the expenditure admissible for initial spares is higher in case of multi-circuit towers. We do not find any error in the impugned order with regard to the admissibility of initial spares

15. In the light of the discussion above, review on the issue of O&M expenses is allowed and the review on other two grounds is rejected. The O&M expenses for the assets covered in Petition No. 58/2011 is revised as given overleaf:-

(₹ in lakh)

Elements	2011-12 (Pro-rata)	2012-13	2013-14
1.65 km, 400 kV D/C twin conductor T/L	0.77	1.22	1.29
4.5 km, 400 km D/C twin conduct multic-circuit T/L	3.68	5.84	6.17
Total (O&M expenses)	4.45	7.06	7.46

16. In view of the revision in O&M expenses, the Interest on Working Capital allowed, vide order dated 27.9.2011 in Petition No. 58/2011 is revised as under:-

(₹ in lakh)

Particulars	2011-12	2012-13	2013-14
Maintenance Spares	1.00	1.06	1.12
O&M expenses	0.56	0.59	0.62
Receivables	90.31	90.19	87.70
Total	91.87	91.84	89.44
Interest	7.20	10.79	10.51

17. Annual transmission charges approved, vide order dated 27.9.2011, for the assets covered in Petition No. 58/2011 is accordingly revised as under:-

(₹ in lakh)

Particulars	2011-12	2012-13	2013-14
Depreciation	111.91	171.48	171.48
Interest on Loan	126.89	182.05	166.96
Return on Equity	110.81	169.78	169.78
Interest on Working Capital	7.20	10.79	10.51
O&M Expenses	4.45	7.06	7.46
Total	361.26	541.17	526.19

18. Except for the above, all other terms contained in the order dated 27.9.2011 in Petition No.58/2011 remains unchanged.

19. Review Petition No. 23/2011 is disposed of as above.

sd/-
(S. Jayaraman)
Member

sd/-
(Dr. Pramod Deo)
Chairperson